

OAR of Fairfax County

Financial Statements
and Independent Auditors' Report

June 30, 2008 and 2007

OAR of Fairfax County

Financial Statements
June 30, 2008 and 2007

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
OAR of Fairfax County

We have audited the accompanying statements of financial position of OAR of Fairfax County as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of OAR of Fairfax County's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OAR of Fairfax County at June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information included at pages 10-11 is presented for purposes of additional analysis of the financial statements and is not required as part of the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in black ink that reads "ROGERS + COMPANY PLLC". The signature is written in a cursive, slightly stylized font.

Vienna, Virginia
October 17, 2008

OAR of Fairfax County

Statements of Financial Position June 30, 2008 and 2007

| | <u>2008</u> | <u>2007</u> |
|---------------------------------------|-----------------------|-----------------------|
| Assets | | |
| Cash | \$ 89,685 | \$ 17,595 |
| Investments | 30,909 | 30,000 |
| Accounts and grants receivable | 72,979 | 178,366 |
| Prepaid expenses | 42,385 | 12,041 |
| Property and equipment, net | <u>32,851</u> | <u>-</u> |
| Total assets | <u>\$ 268,809</u> | <u>\$ 238,002</u> |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable | \$ 1,997 | \$ 27,621 |
| Accrued vacation expense | 44,690 | 48,551 |
| Other accrued expense | <u>28,459</u> | <u>7,490</u> |
| Total liabilities | <u>75,146</u> | <u>83,662</u> |
| Net assets | | |
| Unrestricted | <u>193,663</u> | <u>154,340</u> |
| Total net assets | <u>193,663</u> | <u>154,340</u> |
| Total liabilities and net assets | <u>\$ 268,809</u> | <u>\$ 238,002</u> |

See accompanying notes.

OAR of Fairfax County

Statements of Activities For the Years Ended June 30, 2008 and 2007

| | 2008 | 2007 |
|--|-------------------|-------------------|
| Unrestricted Revenue and Support | | |
| Government grants | \$ 907,790 | \$ 873,229 |
| Other grants and contributions | 333,067 | 332,144 |
| Contract services | 339,153 | 183,602 |
| Client fees | 81,973 | 88,504 |
| United Way designations and grants | 19,564 | 32,404 |
| Other revenue | 11,152 | 9,301 |
| Investment income | 1,495 | 898 |
| | <u>1,694,194</u> | <u>1,520,082</u> |
| Expenses | | |
| Program services: | | |
| Transitional and Family Services program | 842,549 | 745,174 |
| Alternative Sentencing and Court program | 262,039 | 268,071 |
| Beacon program | 189,191 | 200,768 |
| Education and Training program | 68,958 | 201,053 |
| | <u>1,362,737</u> | <u>1,415,066</u> |
| Total program services | | |
| | <u>1,362,737</u> | <u>1,415,066</u> |
| Supporting services: | | |
| Management and general | 292,134 | 201,053 |
| | <u>292,134</u> | <u>201,053</u> |
| Total supporting services | | |
| | <u>292,134</u> | <u>201,053</u> |
| Total expenses | <u>1,654,871</u> | <u>1,616,119</u> |
| Change in Net Assets | 39,323 | (96,037) |
| Net Assets, beginning of year | <u>154,340</u> | <u>250,377</u> |
| Net Assets, end of year | <u>\$ 193,663</u> | <u>\$ 154,340</u> |

See accompanying notes.

OAR of Fairfax County

Statements of Cash Flows
For the Years Ended June 30, 2008 and 2007

| | <u>2008</u> | <u>2007</u> |
|---|-------------------------|-------------------------|
| Cash Flows from Operating Activities | | |
| Change in net assets | \$ 39,323 | \$ (96,037) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation | 2,511 | - |
| Unrealized gains on investment | (909) | - |
| Change in operating assets and liabilities: | | |
| Decrease (increase) in accounts and grants receivable | 105,387 | (58,805) |
| Increase in prepaid expenses | (30,344) | (1,838) |
| (Decrease) increase in accounts payable | (25,624) | 2,594 |
| Decrease in accrued vacation expense | (3,861) | (2,147) |
| Increase in other accrued expense | 20,969 | 4,679 |
| | <u>107,452</u> | <u>(151,554)</u> |
| Net cash provided by (used in) operating activities | | |
| | <u>107,452</u> | <u>(151,554)</u> |
| Cash Flows from Investing Activities | | |
| Purchases of property and equipment | (35,362) | - |
| | <u>(35,362)</u> | <u>-</u> |
| Net cash used in investing activities | | |
| | <u>(35,362)</u> | <u>-</u> |
| Net Increase (Decrease) in Cash | 72,090 | (151,554) |
| Cash, beginning of year | <u>17,595</u> | <u>169,149</u> |
| Cash, end of year | <u><u>\$ 89,685</u></u> | <u><u>\$ 17,595</u></u> |

See accompanying notes.

OAR of Fairfax County

Notes to Financial Statements
June 30, 2008 and 2007

1. Nature of Operations

OAR of Fairfax County was chartered in May 1971 and incorporated in the Commonwealth of Virginia on September 5, 1973. It is a not-for-profit Section 501(c)(3) organization which provides supportive services for offenders, ex-offenders, and their families who are Northern Virginia residents. Services include establishing one-to-one relationships between citizen volunteers and inmates, inmate support groups, assistance with finding employment, educational and training programs, emergency financial aid for food, housing, clothing, travel, medical needs, counseling and appropriate referrals, and college-level correspondence courses. Also, OAR of Fairfax County provides alternative sentencing programs for the Fairfax County General District Court.

In addition to this, OAR of Fairfax County is working on the Beacon using the successful Delancey Street Project in San Francisco as a model. The goal of the Beacon is to create a vocational, educational, and rehabilitative training program for Northern Virginia inmates, which will culminate in the development and launching of a business training school in which former inmates can become stakeholders.

2. Summary of Significant Accounting Policies

Investments

Investments for June 30, 2008 and 2007 consist of certificates of deposit. Investments are recorded at fair value based on quoted market prices. Unrealized gains are reported as a component of investment income in the accompanying statements of activities.

Property and Equipment

Property and equipment with a projected useful life exceeding one year and in excess of \$1,000 are capitalized and recorded at cost. Depreciation is computed using the straight line method over the estimated useful lives of the individual assets, ranging from five to seven years.

Classification of Net Assets

OAR of Fairfax County follows Financial Accounting Standards Board Statement No. 117, "Financial Statements of Not-for-Profit Organizations." Accordingly, net assets are classified based on the presence or absence of donor-imposed restrictions. At June 30, 2008 and 2007, all of OAR of Fairfax County's net assets were unrestricted and represent funds that are available for support of operations.

OAR of Fairfax County

Notes to Financial Statements
June 30, 2008 and 2007

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Government grants that are cost reimbursable in nature are recognized as revenue as the related expenditures are incurred.

Other grants and contributions are recorded as revenue when received or promised. OAR of Fairfax County reports gifts of cash and other assets as temporarily restricted support if they are received or promised with donor stipulations that limit the use of the donated assets to a certain purpose or to a future year. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Temporarily restricted net assets are reported as unrestricted net assets if the restrictions are met in the same period received.

Revenue from other sources is recognized as earned.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Donated Office Space and Other In-Kind Donations

OAR of Fairfax County receives donated office facilities, utilities, and related items from Fairfax County. In-kind donations are recorded at their fair value at the time of receipt. Total in-kind donations received from Fairfax County were \$160,257 and \$155,589 for the years ended June 30, 2008 and 2007, respectively. Additional use of facilities was donated from other agencies, which totaled \$30,000 and \$37,500 for the years ended June 30, 2008 and 2007, respectively. These amounts are included in occupancy expense in the accompanying supplemental schedules of functional expenses.

OAR of Fairfax County also received donated items of clothing, books, printing, and similar items from the general public, which are recorded based on the estimated fair value at the time of receipt. Total donated goods totaled \$75,505 and \$84,446 for the years ended June 30, 2008 and 2007, respectively, and are recorded in direct assistance in the accompanying supplemental schedule of functional expenses.

OAR of Fairfax County

Notes to Financial Statements
June 30, 2008 and 2007

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. Accounts and Grants Receivable

For years ended June 30, 2008 and 2007, OAR of Fairfax County's accounts and grants receivable are all due in less than one year and are recorded at net realizable value. No allowance for doubtful accounts is recorded as the management believes that all receivables are fully collectible.

A substantial portion of the grants and contract income earned by OAR of Fairfax County is paid by local jurisdictions of Fairfax County and the Commonwealth of Virginia. At June 30, 2008 and 2007, \$36,807 and \$83,863, respectively, was receivable from these governmental agencies, which represents approximately 50% and 47% of total accounts and grants receivable at June 30, 2008 and 2007, respectively.

In addition, for the years ended June 30, 2008 and 2007, OAR of Fairfax County recognized \$919,490 and \$725,484, respectively, in grants and contracts revenue from these governmental agencies, which represents approximately 54% and 48% of total revenue for the years ended June 30, 2008 and 2007, respectively.

4. Property and Equipment

OAR of Fairfax County held the following property and equipment at June 30:

| | <u>2008</u> | <u>2007</u> |
|---------------------------------|------------------|-----------------|
| Computers and related equipment | \$ 50,516 | \$ 29,901 |
| Vehicle | 14,747 | - |
| Furniture and fixtures | <u>3,290</u> | <u>3,290</u> |
| Property and equipment | 68,553 | 33,191 |
| Less: accumulated depreciation | <u>(35,702)</u> | <u>(33,191)</u> |
| Property and equipment, net | <u>\$ 32,851</u> | <u>\$ -</u> |

OAR of Fairfax County

Notes to Financial Statements
June 30, 2008 and 2007

5. Concentration of Credit Risk

OAR of Fairfax County maintains cash deposits with major banks which from time to time may exceed federally insured limits. Management periodically assesses the financial condition of the institutions and believes that the risk of any loss is minimal.

6. Commitment

On April 11, 2005, OAR of Fairfax County signed a five-year operating lease and service agreement to replace its copier. Monthly payments are \$565 for the lease and services. Future minimum lease payments on the lease are as follows:

| Years ending June 30 | |
|-------------------------------|------------------|
| 2009 | \$ 6,779 |
| 2010 | <u>5,649</u> |
| Total future minimum payments | <u>\$ 12,428</u> |

Expenses under these operating leases and service agreements for the years ended June 30, 2008 and 2007 were \$9,978 and \$11,538, respectively, and are reported as copier and lease maintenance expense in the accompanying supplemental schedules of functional expenses.

7. Retirement Plan

OAR of Fairfax County has a 403(b) retirement plan (the Plan) in which all full-time employees are eligible to participate. Previously, OAR of Fairfax County made discretionary contributions equal to 4% of each qualifying participant's compensation. Effective September 1, 2006, the Plan was amended whereby OAR of Fairfax County would match employee contributions on a 2 to 1 basis up to a maximum range of 2% – 4% of participant compensation. During fiscal year 2008, OAR of Fairfax County made matching dollar for dollar contributions up to a maximum of 4% of participant compensation.

Total expenses under the Plan were \$22,355 and 17,170 for the years ended June 30, 2008 and 2007, respectively. These amounts are included in employee benefits expense in the accompanying supplemental schedules of functional expenses.

OAR of Fairfax County

Notes to Financial Statements
June 30, 2008 and 2007

8. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, OAR of Fairfax County is exempt from the payment of taxes on income other than net unrelated business income. No provision for income tax is required for the years ended June 30, 2008 and 2007 as OAR of Fairfax County had no net unrelated business income. Contributions to the organization are deductible as provided in IRC Section 170(b)(1)(A)(vi).

SUPPLEMENTAL INFORMATION

OAR of Fairfax County

Schedule of Functional Expenses
For the Year Ended June 30, 2008

| | Program Services | | | | | Total | |
|--------------------------------|----------------------------------|----------------------------------|-------------------|------------------------|---------------------|-------------------|---------------------|
| | Transitional and Family Services | Alternative Sentencing and Court | Beacon | Education and Training | Program Services | | |
| Salaries | \$ 364,491 | \$ 153,896 | \$ 80,997 | \$ 40,499 | \$ 639,883 | \$ 170,096 | \$ 809,979 |
| Occupancy | 104,239 | 31,345 | 16,498 | 8,249 | 160,331 | 34,644 | 194,975 |
| Employee benefits | 40,033 | 16,903 | 8,896 | 4,448 | 70,280 | 18,682 | 88,962 |
| Payroll tax expenses | 27,881 | 11,772 | 6,196 | 3,097 | 48,946 | 13,011 | 61,957 |
| Direct assistance | 191,930 | - | 4,235 | - | 196,165 | - | 196,165 |
| Contractual services | 37,600 | 15,875 | 8,356 | 4,177 | 66,008 | 17,547 | 83,555 |
| Computer supplies | 814 | 344 | 181 | 89 | 1,428 | 380 | 1,808 |
| Insurance | 14,396 | 6,078 | 3,199 | 1,600 | 25,273 | 6,718 | 31,991 |
| Meetings and awards | 7,016 | 2,962 | 1,559 | 780 | 12,317 | 3,274 | 15,591 |
| Copier and lease maintenance | 4,490 | 1,896 | 998 | 499 | 7,883 | 2,095 | 9,978 |
| Telecommunications | 6,548 | 2,765 | 1,455 | 727 | 11,495 | 3,056 | 14,551 |
| Accounting | 2,575 | 1,087 | 572 | 286 | 4,520 | 1,202 | 5,722 |
| Program supplies and materials | 1,540 | 650 | 342 | 172 | 2,704 | 719 | 3,423 |
| Training | 3,354 | 1,416 | 745 | 374 | 5,889 | 1,565 | 7,454 |
| Office supplies | 17,257 | 7,286 | 3,835 | 1,917 | 30,295 | 8,053 | 38,348 |
| Other expenses | 2,341 | 990 | 520 | 260 | 4,111 | 1,093 | 5,204 |
| Depreciation | - | - | - | - | - | 2,511 | 2,511 |
| Bad debt expenses | 2,274 | 960 | 506 | 253 | 3,993 | 1,062 | 5,055 |
| Printing and reproduction | 4,782 | 2,019 | 1,063 | 531 | 8,395 | 2,231 | 10,626 |
| Consultant | - | - | 47,041 | - | 47,041 | - | 47,041 |
| Fees | 2,854 | 1,205 | 634 | 318 | 5,011 | 1,332 | 6,343 |
| Postage and shipping | 1,778 | 750 | 395 | 198 | 3,121 | 830 | 3,951 |
| Local travel | 2,370 | 1,001 | 527 | 263 | 4,161 | 1,106 | 5,267 |
| Dues and subscription | 1,986 | 839 | 441 | 221 | 3,487 | 927 | 4,414 |
| Total Expenses | \$ 842,549 | \$ 262,039 | \$ 189,191 | \$ 68,958 | \$ 1,362,737 | \$ 292,134 | \$ 1,654,871 |

OAR of Fairfax County

Schedule of Functional Expenses
For the Year Ended June 30, 2007

| | Program Services | | | | | Total | |
|--------------------------------|----------------------------------|----------------------------------|-------------------|------------------------|---------------------|-------------------|------------------------|
| | Transitional and Family Services | Alternative Sentencing and Court | Beacon | Education and Training | Program Services | | Management and General |
| Salaries | \$ 344,589 | \$ 157,526 | \$ 82,701 | \$ 118,144 | \$ 702,960 | \$ 118,144 | \$ 821,104 |
| Occupancy | 104,006 | 30,403 | 15,961 | 22,802 | 173,172 | 22,802 | 195,974 |
| Employee benefits | 40,157 | 18,358 | 9,638 | 13,768 | 81,921 | 13,768 | 95,689 |
| Payroll tax expenses | 26,589 | 12,156 | 6,382 | 9,117 | 54,244 | 9,117 | 63,361 |
| Direct assistance | 115,830 | - | - | - | 115,830 | - | 115,830 |
| Contractual services | 46,415 | 21,218 | 11,140 | 15,914 | 94,687 | 15,914 | 110,601 |
| Computer supplies | 1,752 | 801 | 420 | 601 | 3,574 | 601 | 4,175 |
| Insurance | 9,989 | 4,567 | 2,397 | 3,425 | 20,378 | 3,425 | 23,803 |
| Meetings and awards | 8,140 | 3,721 | 1,954 | 2,791 | 16,606 | 2,791 | 19,397 |
| Copier and lease maintenance | 4,842 | 2,214 | 1,162 | 1,660 | 9,878 | 1,660 | 11,538 |
| Telecommunications | 5,876 | 2,686 | 1,410 | 2,014 | 11,986 | 2,014 | 14,000 |
| Accounting | 9,331 | 4,266 | 2,239 | 3,199 | 19,035 | 3,199 | 22,234 |
| Program supplies and materials | 2,578 | 1,179 | 618 | 884 | 5,259 | 884 | 6,143 |
| Training | 4,353 | 1,990 | 1,045 | 1,492 | 8,880 | 1,492 | 10,372 |
| Office supplies | 3,259 | 1,489 | 782 | 1,117 | 6,647 | 1,117 | 7,764 |
| Bad debt expenses | 5,439 | - | - | - | 5,439 | - | 5,439 |
| Other expenses | 2,303 | 1,052 | 555 | 789 | 4,699 | 789 | 5,488 |
| Printing and reproduction | 3,435 | 1,570 | 824 | 1,178 | 7,007 | 1,178 | 8,185 |
| Consultant | - | - | 60,031 | - | 60,031 | - | 60,031 |
| Taxes and licenses | 1,945 | 889 | 467 | 667 | 3,968 | 667 | 4,635 |
| Postage and shipping | 1,971 | 901 | 472 | 676 | 4,020 | 676 | 4,696 |
| Local travel | 1,092 | 499 | 262 | 375 | 2,228 | 375 | 2,603 |
| Dues and subscription | 1,283 | 586 | 308 | 440 | 2,617 | 440 | 3,057 |
| Total Expenses | \$ 745,174 | \$ 268,071 | \$ 200,768 | \$ 201,053 | \$ 1,415,066 | \$ 201,053 | \$ 1,616,119 |